

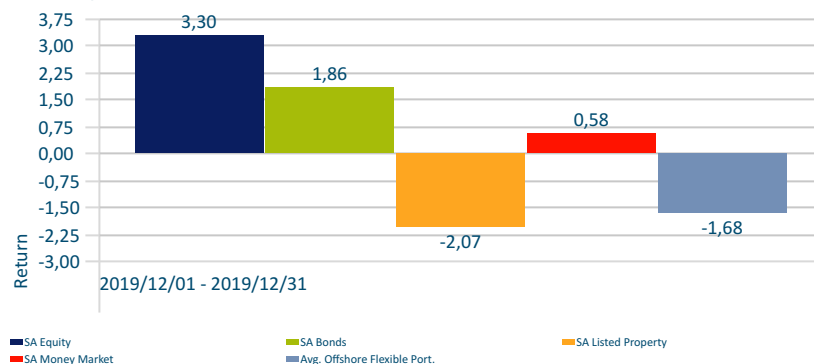
Dissecting December 2019

Reading the market wrap for December from a year ago not that much has changed in terms of geopolitical and macro-economic risks and fears around the world. Although the specifics differ, the trends of uncertainty and risk remain in place – even taking to account areas of positivity that have arisen. However, global markets ended off 2019 much more positively than they did at the end 2018. Global equities posted a return of 3% in USD (MSCI World Index), as strong returns were delivered from the US and UK. Global property and global income also delivered positive returns.

Locally the festive mood heading into December was dampened once again by rolling blackouts across South Africa, with the stages of loadshedding being so high that even the local favourite loadshedding app “Eskom Se Push” was struggling to provide the correct schedules. The SA equity market managed to show resilience however, posting a return of 3.30%, as the best performing asset class for the month. The primary drivers behind this strong end to 2019 were the resource counters and some of the large cap industrials. SA bonds also added another 1.86%, a positive performance ahead of what could be a volatile few months for the asset class. The impact of the budget speech, whether positive or negative, speculation about the ratings review, whether a downgrade is priced in or not, and the impact of a worsening fiscal deficit are all likely to cause uncertainty as we move through the first quarter of 2020. Local property and offshore (as represented by the average global flexible portfolio) were the laggards in the month, selling off 2.07% and 1.68% respectively. The property index suffered under disappointing performance from the larger local and Eastern Europe focussed counters, while offshore portfolios suffered under Rand appreciation, as the local currency moved from approximately R14.66 to R14.

Asset Class Returns -December

Currency: South African Rand



Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
SA Equity	12,05	7,43	5,99	10,78
SA Bonds	10,32	9,42	7,75	8,86
SA Property	1,92	-3,73	1,21	10,83
STeFI Composite ZAR	7,29	7,37	7,19	6,52
(ASISA) Global MA Flexible	15,82	8,14	8,16	11,31

*Annualised return is the weighted average compound growth rate over the period measured.

Local economic data releases for the month included the inflation figure moving even lower, down to 3.6% for November. This is now the lowest inflation figure since December 2010. The primary inflation drivers were the Housing and Utilities, Miscellaneous Goods and Services, and Food and Non-Alcoholic Beverages sectors. Of some note is that the Transport category turned deflationary for the month. Private sector growth eased slightly, now 6.6%, for November after moving higher in the previous month to 7.28%. Retail sales growth also dipped slightly, posting 0.3% year-on-year, from the 0.4% achieved in September (released in November).

Some Food for Thought

In the table to the right, we look back at the performance achieved from various investment classes in 2019 by breaking the year down into quarters. The FTSE/JSE SA Resources index was the star performer for 2019, adding 28%. This index includes all the SA listed resource companies (not just the largest 10). The 15% retraction in the locally focussed Property index (a composite index representing SA listed property counters with their physical properties predominantly located in SA), was the worst performance for the year. The second and third placed asset classes for 2019 were both focussed offshore, again emphasising the Rand’s paltry performance. Lastly, local bonds (Beassa ALBI TR Index) managed to outperform local cash (STeFI Composite Index). All the numbers can be found on the table.

Periodic Table

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
Best	FTSE/JSE SA Resources TR ZAR 17,8	FTSE/JSE Financials&Indl TR ZAR 4,5	(ASISA) Global MA Flexible 6,7	FTSE/JSE SA Resources TR ZAR 13,8	FTSE/JSE SA Resources TR ZAR 28,5
	(ASISA) Global MA Flexible 10,0	Beassa ALBI TR ZAR 3,7	Property Local Listed Offshore Focused 5,9	Property Local Listed Local Focused 3,6	(ASISA) Global MA Flexible 15,8
	Property Local Listed Offshore Focused 5,6	FTSE/JSE SA Resources TR ZAR 2,4	STeFI Composite ZAR 1,8	Property Local Listed Offshore Focused 2,0	Property Local Listed Offshore Focused 12,0
	FTSE/JSE Financials&Indl TR ZAR 4,7	STeFI Composite ZAR 1,8	Beassa ALBI TR ZAR 0,7	STeFI Composite ZAR 1,7	Beassa ALBI TR ZAR 10,3
	Beassa ALBI TR ZAR 3,8	(ASISA) Global MA Flexible -0,2	FTSE/JSE Financials&Indl TR ZAR -3,9	Beassa ALBI TR ZAR 1,7	STeFI Composite ZAR 7,3
	STeFI Composite ZAR 1,8	Property Local Listed Offshore Focused -1,8	FTSE/JSE SA Resources TR ZAR -6,4	FTSE/JSE Financials&Indl TR ZAR 1,0	FTSE/JSE Financials&Indl TR ZAR 6,1
Worst	Property Local Listed Local Focused -3,0	Property Local Listed Local Focused -4,1	Property Local Listed Local Focused -11,9	(ASISA) Global MA Flexible -1,2	Property Local Listed Local Focused -15,1

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Some Food for Thought (cont.)

What is also informative is the gyration between winners and losers from quarter to quarter. Resources as an example was the second worst performer during the third quarter and yet managed to add 28.5% for the year, yet again proving that making future asset allocation calls based on past performance is a futile exercise. The table below looks back at returns for the last 10 years and breaks it down into 2-year periods.

Periodic Table

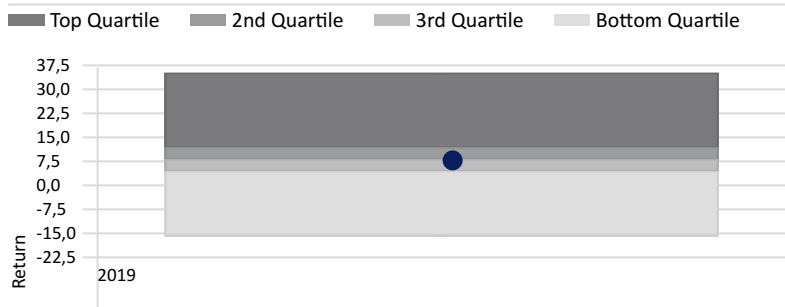
Best	Property Local Listed Offshore Focused 37,7	Property Local Listed Offshore Focused 40,6	Property Local Listed Offshore Focused 33,5	FTSE/JSE SA Resources TR ZAR 25,8	FTSE/JSE SA Resources TR ZAR 21,9
	Property Local Listed Local Focused 20,2	FTSE/JSE Financials&Indl TR ZAR 35,1	(ASISA) Global MA Flexible 18,5	Beassa ALBI TR ZAR 12,8	(ASISA) Global MA Flexible 9,7
	FTSE/JSE Financials&Indl TR ZAR 15,9	(ASISA) Global MA Flexible 28,2	FTSE/JSE Financials&Indl TR ZAR 15,9	Property Local Listed Local Focused 10,5	Beassa ALBI TR ZAR 9,0
	Beassa ALBI TR ZAR 11,9	Property Local Listed Local Focused 21,4	Property Local Listed Local Focused 14,8	FTSE/JSE Financials&Indl TR ZAR 8,7	STeFI Composite ZAR 7,3
	STeFI Composite ZAR 6,3	Beassa ALBI TR ZAR 8,0	STeFI Composite ZAR 6,2	STeFI Composite ZAR 7,5	Property Local Listed Offshore Focused 3,3
	(ASISA) Global MA Flexible 4,4	STeFI Composite ZAR 5,4	Beassa ALBI TR ZAR 2,9	(ASISA) Global MA Flexible -1,9	FTSE/JSE Financials&Indl TR ZAR -4,8
Worst	FTSE/JSE SA Resources TR ZAR 2,5	FTSE/JSE SA Resources TR ZAR 2,2	FTSE/JSE SA Resources TR ZAR -26,7	Property Local Listed Offshore Focused -7,6	Property Local Listed Local Focused -14,6
	2010/01/01 - 2011/12/31	2012/01/01 - 2013/12/31	2014/01/01 - 2015/12/31	2016/01/01 - 2017/12/31	2018/01/01 - 2019/12/31

Local listed resource counters were the worst performers up until the end of 2015. To put it differently, for three consecutive 2-year periods, had you invested in resource counters you would have fared the worst. Subsequently, over the last two consecutive two-year periods, the same asset class made up for the previous underperformance. During 2014-2015 market participants had no hope for resources, but the management of these companies were actively reducing debt and thereby mending the balance sheets. Very few people realised or believed management and they therefore missed the 2016-2019 run. The question one should now ask is - given that the Resource companies have been the top performers since 2016, will they remain there or will they be removed from the podium by the likes of financial companies or even locally focussed property companies. Predicting tomorrow's winners is the challenge that brings us to work each day. We can merely look at current facts and make informed decisions, and combine these into a diversified portfolio.

The interest rate scenario is probably the number one factor to watch this year. Given lower inflation the SARB can afford to cut rates, but their biggest concern is likely the effect on the local currency. If they were to cut too aggressively the Rand could sell off as foreigners no longer see value in local yields on offer and thus move somewhere else in search of better yields. A precarious position indeed in which the SARB finds itself.

Average SA Equity Fund Relative to Peer Group

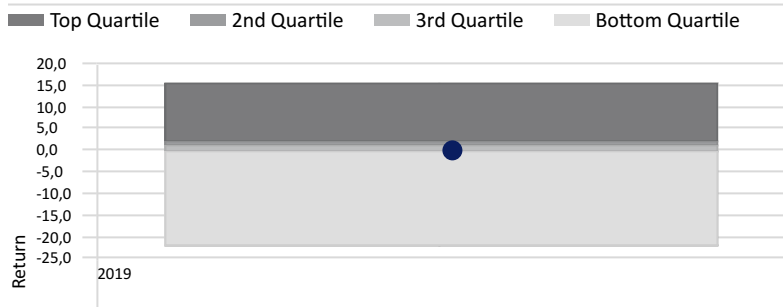
Peer Group (1-100%): Funds - ASISA Sector (South Africa) - (ASISA) South African EQ General



● (ASISA) South African EQ General

Average SA Property Fund Relative to Peer Group

Peer Group (1-100%): Funds - ASISA Sector (South Africa) - (ASISA) South African RE General



● (ASISA) South African RE General

The last two graphs above reflect the average fund versus the sector for both SA Equity Funds and SA Real Estate Funds. The blue dots show the returns for the average fund for the 2019 period and the grey scaled rectangle reflects the sector. Clearly fund selection was very important, with a 45% difference between the best and worst SA Equity Fund. Although choosing the "best fund" for the next year is impossible, it is important to try avoiding the "worst fund". Or as an alternative combine funds with different characteristics within a sector to create a more diversified portfolio.

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Skyblue BCI Solar Flexible Fund of Funds



Global Multi Asset Flexible Allocation - More than 85% offshore

Proxy Benchmark: 60% MSCI World; 30% Barclays Global Bond Index; 10% US Cash

Fund Commentary

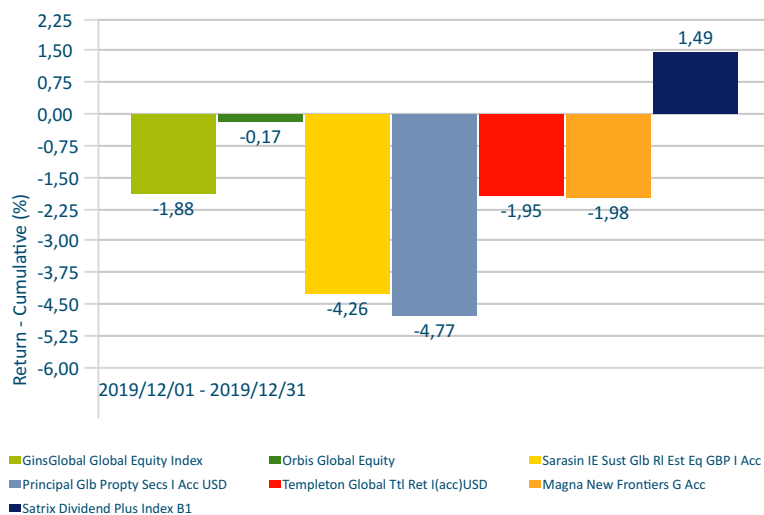
December ended 2019 in an unlikely fashion given the trends throughout the rest of the year. The Rand strengthened against most major currencies, which dragged down the returns for offshore assets in general, despite most of the offshore asset classes delivering positive returns in US Dollars. It was predominantly offshore listed property that had a tough month. The fund's allocation towards local high dividend shares managed to negate some of the currency moves mentioned.

Solar returned – 1.86% in Rands for the month. This puts the returns for 2019 at 9.94% in Rand terms and 13.10% in US Dollar terms. The worst monthly underlying return came from Principal Global Property Fund, one of the star performers when looking at 2019 as a whole, adding 20.71% in Rand terms. The best performing underlying manager was Satrix Dividend Plus spurred on by a stronger Rand and better returns from South African equity counters.

If anything was learnt from this month it is how quickly the market sentiment can change. For the time being we will keep our diversified portfolio as is to guard against the unforeseen and also to take advantage of “unexpected” positive returns.

Underlying Holdings Return - December

Currency: South African Rand



Calendar Year Returns - Cumulative (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Solar Flexible FoF	9,94	18,49	48,11	144,67
(ASISA) Global MA Flexible (Sector)	15,82	26,45	48,04	191,81
Stefi + 5% (Benchmark)	12,65	43,23	80,56	206,30

Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Solar Flexible FoF	9,94	5,82	8,17	9,36
(ASISA) Global MA Flexible (Sector)	15,82	8,14	8,16	11,31
Stefi + 5% (Benchmark)	12,65	12,73	12,55	11,85

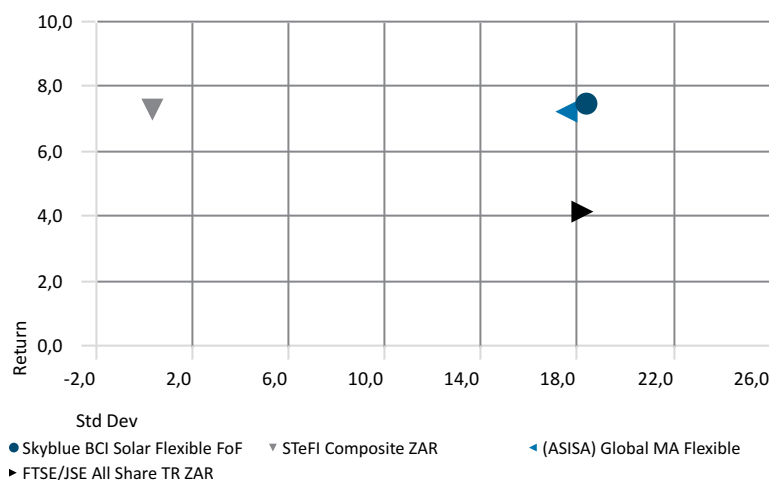
*Annualised return is the weighted average compound growth rate over the period measured.

Skyblue BCI Solar Flexible FoF - Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	-1,90%	7,08%	2,75%	2,13%	-1,80%	-0,32%	1,42%	1,34%	2,01%	1,09%	-2,04%	-1,86%	9,94%
2018	-0,06%	-5,20%	-0,37%	6,68%	1,01%	5,68%	-1,44%	10,03%	-2,60%	-1,49%	-5,27%	-0,41%	5,51%
2017	-0,61%	-0,14%	2,84%	0,78%	-0,60%	0,02%	2,10%	-1,31%	4,82%	5,60%	-2,87%	-7,81%	2,14%
2016	1,52%	0,44%	-6,88%	-2,94%	10,81%	-7,14%	-1,87%	4,04%	-4,78%	-1,20%	3,13%	0,22%	-5,88%
2015	0,61%	2,81%	0,04%	2,33%	1,63%	-0,72%	3,17%	2,98%	3,34%	1,43%	4,18%	7,12%	32,80%
2014	-0,52%	2,77%	1,51%	1,09%	1,17%	1,42%	0,76%	-1,07%	-0,47%	-0,85%	1,71%	0,73%	8,49%
2013	5,14%	-1,61%	1,05%	-1,94%	7,81%	-6,23%	3,45%	1,08%	3,61%	2,88%	-0,78%	2,93%	17,94%
2012	4,95%	1,59%	-0,23%	1,41%	-2,56%	-0,16%	1,81%	2,50%	1,43%	3,34%	1,54%	0,90%	17,61%
2011	-0,32%	-0,94%	0,57%	1,65%	-0,04%	-2,42%	-1,17%	-2,57%	-0,91%	6,07%	0,60%	-1,03%	-0,78%
2010	-1,74%	0,52%	4,67%	0,62%	-3,96%	-0,66%	3,38%	-2,53%	4,90%	2,95%	0,39%	2,04%	10,64%
2009	1,54%	-4,36%	3,58%	2,58%	4,89%	-1,82%	5,79%	3,92%	0,57%	3,42%	0,98%	2,18%	25,39%
2008	-3,03%	2,54%	-0,74%	0,89%	1,76%	-1,44%	-4,34%	1,73%	-5,88%	-7,37%	0,06%	0,47%	-14,82%
2007											-2,01%	-1,22%	

Risk-Reward

Time Period: 2015/05/01 to 2019/12/31



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Skyblue BCI Cumulus Moderate Fund of Funds



South Africa Multi Asset High Equity Allocation - 0% - 75% South African Equities

Benchmark: Cash (SteFi) + 3%

Fund Commentary

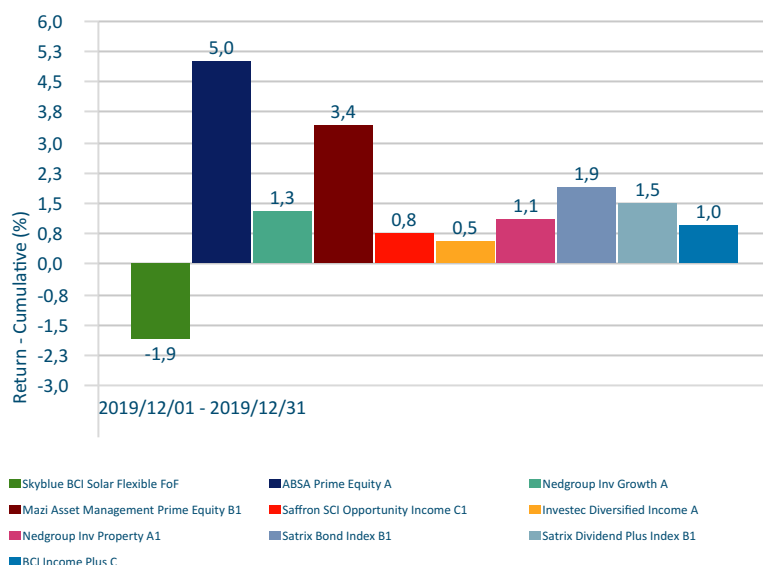
Fund performance was driven by broad based gains in December, with equities being the stand out performer as the asset class ended the challenging year on a positive note. The only exception was the offshore exposure, losing out on the back of Rand appreciation.

Cumulus delivered 1.57% for the month, ending the year on 3.86%. Although returns are improving, the performance remains well below our target, and displays the tough investment environment we have experienced over the past few years.

The best performing underlying funds for the month were Absa Prime Equity fund and Mazi Asset Management Prime Equity fund, with index-beating returns of 5% and 3.4% respectively. These funds benefitted from the strong run in resource counters during the month. Our longer duration fixed income exposure, Satrix Bond Index fund, added a strong 1.9%, while the property exposure in Nedgroup Property fund also added 1.1%. The worst performing underlying fund was Skyblue BCI Solar Flexible, posting a negative return of -1.9% on the back of the currency appreciation.

Our Strategic Asset Allocation models are still pointing to a risk on allocation environment, with valuations in the equity market favouring those over bond markets at current levels. Tactically our allocations remain overweight to high yielding fixed income instruments, albeit primarily in shorter duration instruments, where there are still very attractive risk-adjusted returns available. We remain cognisant of credit risk however, and therefore focus on high quality exposures and well-diversified portfolios within the short-term income space. We have a small tactical overweight to longer duration bonds as well, based on the high level of real yields available, low inflationary pressures, and continued pressure on the Reserve Bank to cut interest rates. There will however, likely be a period of higher volatility in this asset class as we approach the February budget and rating agency reviews.

Underlying Holdings Return - December



Calendar Year Returns - Cumulative (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Cumulus Moderate FoF	3,86	5,75	20,44	115,43
(ASISA) South African MA High Equity (Sector)	9,53	16,10	26,63	123,11
Stefi + 3% (Benchmark)	10,51	35,21	64,02	152,73

Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Cumulus Moderate FoF	3,86	1,88	3,79	7,98
(ASISA) South African MA High Equity (Sector)	9,53	5,11	4,84	8,36
Stefi + 3% (Benchmark)	10,52	10,59	10,40	9,72

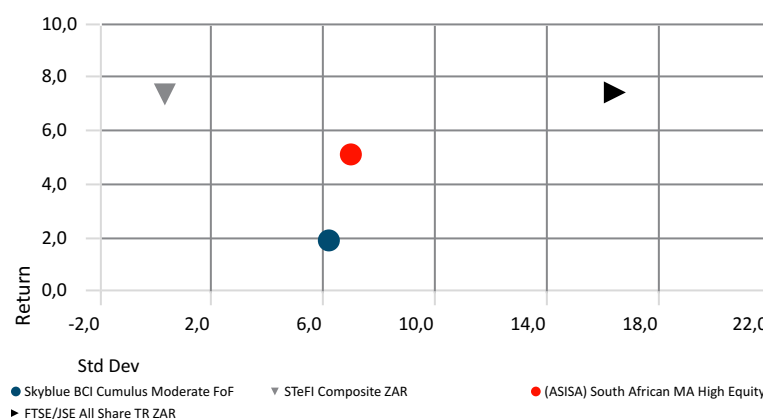
*Annualised return is the weighted average compound growth rate over the period measured.

Skyblue BCI Cumulus Moderate FoF - Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	1,93%	1,22%	1,14%	2,16%	-2,32%	0,70%	-0,93%	-2,92%	0,62%	1,53%	-0,75%	1,57%	3,86%
2018	0,32%	-0,62%	-1,78%	2,90%	-1,12%	1,27%	0,33%	3,55%	-2,67%	-3,28%	-2,73%	0,78%	-3,25%
2017	1,50%	-0,74%	1,53%	1,05%	0,06%	-2,42%	2,82%	0,64%	0,34%	3,48%	-0,51%	-2,45%	5,24%
2016	-1,36%	0,35%	1,78%	0,84%	2,87%	-2,07%	0,38%	1,41%	-0,69%	-1,55%	1,58%	0,82%	4,31%
2015	1,62%	2,23%	0,44%	1,48%	-0,46%	-0,56%	0,86%	-0,35%	0,22%	2,58%	-0,12%	0,94%	9,19%
2014	-0,26%	1,52%	1,46%	1,40%	0,84%	1,29%	0,47%	-0,99%	0,39%	-0,25%	1,32%	1,12%	8,59%
2013	5,39%	-0,30%	2,00%	-0,36%	6,83%	-3,87%	2,79%	1,47%	3,08%	2,05%	-0,52%	2,36%	22,51%
2012	2,87%	0,71%	0,45%	0,93%	-1,25%	0,65%	1,94%	2,87%	0,64%	2,47%	2,23%	1,01%	16,58%
2011	0,45%	0,19%	-0,22%	0,54%	1,07%	-1,03%	-0,52%	0,19%	0,34%	3,95%	0,79%	0,19%	6,05%
2010	0,28%	1,39%	1,56%	0,83%	-1,44%	-0,12%	1,74%	-0,33%	1,78%	1,26%	0,25%	1,25%	8,75%
2009	1,03%	-1,81%	2,41%	1,20%	1,22%	-0,46%	3,63%	2,00%	0,05%	2,63%	-0,32%	1,26%	13,48%
2008	-1,28%	2,27%	0,01%	0,22%	0,52%	-1,02%	-1,36%	2,04%	-1,54%	-2,51%	1,04%	0,22%	-1,50%
2007											-0,75%	-0,92%	

Risk-Reward

Time Period: 2017/01/01 to 2019/12/31



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Skyblue BCI Kimberlite Cautious Fund of Funds



South Africa Multi Asset Low Equity Allocation - 0% - 40% South African Equities

Benchmark: Cash (SteFi) + 1%

Fund Commentary

Fund performance was driven by broad based gains in December, ending the challenging year on a positive note. The only exception was the offshore exposure, losing out on the back of Rand appreciation.

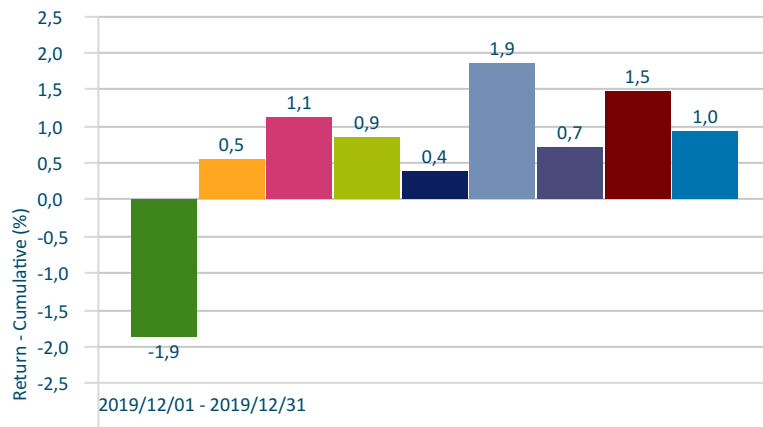
Kimberlite delivered 0.34% for the month, recovering some of the previous losses to end the year flat. Although returns are improving, the performance remains well below our target, and displays the tough investment environment we have experienced over the past few years.

The best performing underlying fund for the month was Satrix Bond Index fund, which added a pleasing 1.9%. The underlying equity managers also made a mentionable contribution, although not to the same extent as those within Cumulus, as Kimberlite has lower exposure to resource counters. Satrix Div Index fund posted 1.5%, PSG SA Equity posted 0.9%, and Aylett Equity prescient A1 for the month. The property exposure in Nedgroup Property fund also added 1.1%. The worst performing underlying fund was Skyblue BCI Solar Flexible, posting a negative return of -1.9% on the back of the currency appreciation.

Our Strategic Asset Allocation models are still pointing to a risk on allocation environment, with valuations in the equity market favouring those over bond markets at current levels. Tactically our allocations remain overweight to high yielding fixed income instruments, albeit primarily in shorter duration instruments, where there are still very attractive risk-adjusted returns available. We remain cognisant of credit risk however, and therefore focus on high quality exposures and well-diversified portfolios within the short-term income space. We have a small tactical overweight to longer duration bonds as well, based on the high level of real yields available, low inflationary pressures, and continued pressure on the Reserve Bank to cut interest rates. There will however, likely be a period of higher volatility in this asset class as we approach the February budget and rating agency reviews.

Underlying Holdings Return - December

Currency: South African Rand



- Skyblue BCI Solar Flexible FoF
- Investec Diversified Income A
- Nedgroup Inv Property A1
- PSG SA Equity D
- Aylett Equity Prescient A1
- Satrix Bond Index B1
- SIM Enhanced Yield A1
- Satrix Dividend Plus Index B1
- BCI Income Plus C

Calendar Year Returns - Cumulative (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Kimberlite Cautious FoF	0,00	3,97	16,75	87,91
(ASISA) South African MA Low Equity (Sector)	8,61	19,18	32,85	112,04
Stefi + 1% (Benchmark)	8,37	27,49	48,70	107,74

Calendar Year Returns - Annualised (%)

	1 Year	3 Year	5 Year	10 year
Skyblue BCI Kimberlite Cautious FoF	0,00	1,31	3,15	6,51
(ASISA) South African MA Low Equity (Sector)	8,61	6,03	5,85	7,81
Stefi + 1% (Benchmark)	8,37	8,44	8,26	7,59

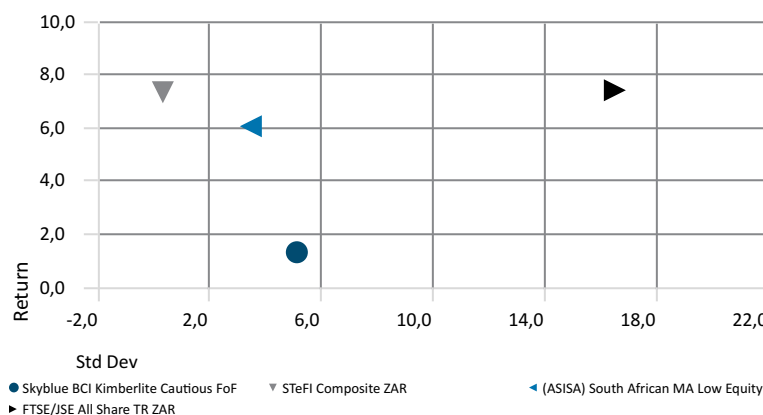
*Annualised return is the weighted average compound growth rate over the period measured.

Skyblue BCI Kimberlite Cautious FoF - Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	1,50%	-0,10%	0,38%	1,49%	-1,42%	-0,20%	-0,31%	-2,53%	0,36%	0,92%	-0,36%	0,34%	0,00%
2018	0,63%	0,01%	-1,03%	2,04%	-0,72%	0,82%	0,46%	2,98%	-1,82%	-1,47%	-2,78%	0,17%	-0,85%
2017	0,93%	-0,20%	1,15%	0,46%	-0,27%	-1,30%	1,96%	0,45%	0,99%	2,37%	-0,57%	-1,12%	4,86%
2016	-0,61%	0,49%	1,74%	0,99%	1,84%	-0,99%	0,61%	1,10%	-0,14%	-0,94%	1,73%	0,89%	6,85%
2015	0,78%	1,26%	0,01%	1,10%	-0,27%	-0,68%	0,71%	-0,64%	-0,07%	2,08%	-0,24%	0,98%	5,11%
2014	0,34%	0,15%	1,18%	1,33%	0,48%	1,12%	0,43%	-0,80%	-0,23%	-0,64%	1,02%	1,42%	5,94%
2013	3,70%	0,64%	1,96%	1,05%	1,89%	-1,47%	1,06%	-0,05%	2,03%	1,09%	-0,13%	1,74%	14,28%
2012	1,51%	0,55%	0,87%	0,66%	-0,14%	0,72%	1,76%	2,42%	0,04%	1,28%	1,81%	1,10%	13,31%
2011	0,33%	0,09%	0,01%	1,13%	0,95%	-0,56%	-0,21%	0,62%	1,34%	2,24%	1,14%	0,18%	7,49%
2010	1,10%	1,26%	1,15%	0,77%	-1,55%	0,28%	2,00%	-0,29%	1,91%	0,88%	0,21%	1,11%	9,15%
2009	0,91%	-1,30%	2,50%	1,33%	0,83%	-0,68%	2,99%	0,93%	-0,41%	2,34%	-0,75%	1,08%	10,11%
2008	0,22%	1,81%	0,72%	-0,47%	0,32%	-0,31%	0,57%	2,02%	-0,38%	-1,50%	1,82%	0,18%	5,05%
2007											-0,21%	-0,26%	

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